

Kids' Meals, Inc.

**Consolidated Financial Statements and Supplementary Information with Report of
Independent Auditors**

**For the year ended December 31, 2025
(with comparative totals for the year ended December 31, 2024)**

Report of Independent Auditors

To the Board of Directors of
Kids' Meals, Inc.:

Opinion

We have audited the accompanying consolidated financial statements of Kids' Meals, Inc. and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2025, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kids' Meals, Inc. and Subsidiaries as of December 31, 2025, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Kids' Meals, Inc. and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kids' Meals, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Kids' Meals, Inc. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kids' Meals, Inc. and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Kids' Meals, Inc. 2024 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 2, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects on the deconsolidation and eliminating adjustments presented in the Statement of Financial Position (Select Activities) and Statement of Activities and Changes in Net Assets (Select Activities), the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Long Beach, California
April 30, 2026

KIDS' MEALS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2025
(with comparative totals as of December 31, 2024)

	2025	2024
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,725,136	\$ 1,738,171
Restricted cash - current	3,016,719	14,108,563
Interest receivable	69,534	40,836
Prepaid expenses	462,650	271,677
Accounts receivable	25,954	25,360
Grants and pledges receivable - current	4,189,996	2,100,660
Investments - current	2,593,162	1,939,876
Endowments - current	396,391	317,841
Total current assets	15,479,542	20,542,984
Noncurrent assets		
Restricted cash - noncurrent	734,424	903,806
Grants and pledges receivable - noncurrent	1,145,664	2,014,400
Notes receivable, net	23,081,500	23,081,500
Investments - noncurrent	4,061,512	4,237,456
Endowments - noncurrent	50,000	50,000
Fixed assets, net	30,359,187	21,189,605
Right-of-use lease asset	164,648	180,303
Total noncurrent assets	59,596,935	51,657,070
Total assets	\$ 75,076,477	\$ 72,200,054
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 284,553	\$ 205,793
Construction payable	2,277,947	3,317,848
Payroll liabilities payable	87,887	83,481
Short-term lease liability	78,121	166,978
Total current liabilities	2,728,508	3,774,100
Noncurrent liabilities		
Notes payable, net	30,694,933	32,828,653
Long-term lease liability	89,723	27,292
Total noncurrent liabilities	30,784,656	32,855,945
Total liabilities	33,513,164	36,630,045
Net assets		
Without donor restrictions	34,819,727	30,968,137
With donor restrictions	6,743,586	4,601,872
Total net assets	41,563,313	35,570,009
Total liabilities and net assets	\$ 75,076,477	\$ 72,200,054

see accompanying notes

KIDS' MEALS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the year ended December 31, 2025
(with comparative totals for the year ended December 31, 2024)

	Without Donor	With Donor	Consolidated Total	
	Restrictions	Restrictions	2025	2024
PUBLIC SUPPORT AND OTHER REVENUES				
Contributions of cash and other financial assets				
Public support:				
Contributions	\$ 7,953,019	\$ 5,353,226	\$ 13,306,245	\$ 12,525,434
Donated food	2,050,330	-	2,050,330	2,291,848
Special events (net of \$457,314 and \$384,930 expenses, respectively)	791,590	-	791,590	771,091
Total public support	<u>10,794,939</u>	<u>5,353,226</u>	<u>16,148,165</u>	<u>15,588,373</u>
Other revenues:				
Interest income	359,942	-	359,942	288,728
Investment income, net	420,734	-	420,734	282,128
Other income	6,024	-	6,024	1,984
Total other revenues	<u>786,700</u>	<u>-</u>	<u>786,700</u>	<u>572,840</u>
Net assets released from restrictions	<u>3,211,512</u>	<u>(3,211,512)</u>	<u>-</u>	<u>-</u>
Total revenue and other support	14,793,151	2,141,714	16,934,865	16,161,213
EXPENDITURES				
Program services	8,858,268	-	8,858,268	7,273,964
Administrative and support	1,399,497	-	1,399,497	735,854
Fundraising	683,796	-	683,796	1,046,092
Total expenditures	<u>10,941,561</u>	<u>-</u>	<u>10,941,561</u>	<u>9,055,910</u>
CHANGE IN NET ASSETS	3,851,590	2,141,714	5,993,304	7,105,303
NET ASSETS AT BEGINNING OF YEAR	<u>30,968,137</u>	<u>4,601,872</u>	<u>35,570,009</u>	<u>28,464,706</u>
NET ASSETS AT END OF YEAR	<u>\$ 34,819,727</u>	<u>\$ 6,743,586</u>	<u>\$ 41,563,313</u>	<u>\$ 35,570,009</u>

see accompanying notes

KIDS' MEALS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the year ended December 31, 2025
(with comparative totals for the year ended December 31, 2024)

EXPENDITURES	Program	Management	Fundraising	Consolidated Total	
	Services	and General		2025	2024
Salaries and wages	\$ 2,636,995	\$ 1,046,427	\$ 502,285	\$ 4,185,707	\$ 3,271,187
In-kind food donations	2,025,330	-	-	2,025,330	2,291,848
Food purchases	1,492,485	-	-	1,492,485	828,430
Depreciation expense	709,981	-	-	709,981	279,179
Health and dental insurance	308,434	122,395	58,749	489,578	404,432
Contract labor	270,082	48,810	6,508	325,400	269,571
Fuel and auto expense	278,852	-	-	278,852	234,587
Interest expense	266,953	-	-	266,953	472,546
Operating lease expense	174,217	21,777	21,777	217,771	248,733
Advertising and promotion	148,661	-	49,554	198,215	191,039
Office expense	88,267	11,033	11,034	110,334	155,210
Utilities, telephone and internet	65,876	18,528	18,527	102,931	77,961
Repairs and maintenance	92,015	-	-	92,015	70,430
Reimbursements to CDEs	81,988	-	-	81,988	50,000
Supplies	65,168	8,146	8,146	81,460	32,088
Property and other insurance	69,908	-	-	69,908	1,645
Bank and service fees	-	66,220	-	66,220	53,283
Loss on disposal of fixed asset	56,347	-	-	56,347	8,534
Accounting and legal fees	20,681	20,680	-	41,361	72,765
Meeting expenses	-	26,353	-	26,353	16,665
Postage and delivery	940	1,880	6,580	9,400	8,472
Staff travel	-	6,612	-	6,612	5,998
Liability insurance	5,088	636	636	6,360	11,307
Total expenditures	\$ 8,858,268	\$ 1,399,497	\$ 683,796	\$ 10,941,561	\$ 9,055,910

see accompanying notes

KIDS' MEALS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2025
(with comparative totals for the year ended December 31, 2024)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,993,304	\$ 7,105,303
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Interest expense - debt issuance costs	67,291	18,280
Amortization of right-of-use lease asset	15,655	176,009
Amortization of right-of-use lease liability	(26,426)	(179,813)
Depreciation expense	709,981	279,179
Loss on disposal of fixed asset	56,347	8,534
Unrealized gain on investments	(15,704)	(56,331)
Realized (gain) loss on sale of investments	(111,433)	29,137
Changes in operating assets and liabilities:		
Increase in accounts receivable	(594)	(1,083)
(Increase) decrease in grants and pledges receivable	(1,220,600)	1,585,093
Increase in interest receivable	(28,698)	(40,836)
Increase in prepaid expenses	(190,973)	(785)
Increase in accounts payable	78,760	73,391
Increase in payroll liabilities payable	4,406	38,449
Net cash provided by operating activities	5,331,316	9,034,527
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans made to borrower	-	(23,081,500)
Purchases of fixed assets	(10,975,811)	(7,984,074)
Proceeds from sale of investments	(350,205)	3,786,524
Contributions to endowment fund	(78,550)	(71,937)
Net cash used in investing activities	(11,404,566)	(27,350,987)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of debt issuance costs	-	(1,276,689)
Proceeds from notes payable	-	41,831,604
Payments on notes payable	(2,201,011)	(7,780,593)
Net cash (used in) provided by financing activities	(2,201,011)	32,774,322

see accompanying notes

KIDS' MEALS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2025
(with comparative totals for the year ended December 31, 2024)

	<u>2025</u>	<u>2024</u>
Net change in cash, cash equivalents and restricted cash	(8,274,261)	14,457,862
Cash, cash equivalents and restricted cash at beginning of year	<u>16,750,540</u>	<u>2,292,678</u>
Cash, cash equivalents and restricted cash at end of year	<u>\$ 8,476,279</u>	<u>\$ 16,750,540</u>
Cash and cash equivalents	\$ 4,725,136	\$ 1,738,171
Restricted cash	<u>3,751,143</u>	<u>15,012,369</u>
Total cash, cash equivalents and restricted cash	<u>\$ 8,476,279</u>	<u>\$ 16,750,540</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 199,662</u>	<u>\$ 454,266</u>
Cash paid for interest capitalized into fixed assets	<u>\$ 252,769</u>	<u>\$ 177,012</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Increase in fixed assets due to construction payable	<u>\$ -</u>	<u>\$ 3,317,848</u>
Debt issuance cost amortization capitalized into fixed assets	<u>\$ -</u>	<u>\$ 36,051</u>

see accompanying notes

KIDS' MEALS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025
(with comparative totals for December 31, 2024)

1. Organization

Kids' Meals, Inc. ("KMI") is a Texas nonprofit corporation classified by the Internal Revenue Service as tax-exempt under Section 501(c)(3) of the Internal Revenue Code of 1986. The Organization was incorporated on February 21, 1991, to end childhood hunger in Houston, Texas by delivering free healthy meals, year-round to the doorsteps of Houston's hungriest preschool-aged children and through collaboration provide their families with resources to end the cycle of poverty. KMI is primarily funded by private and public donations.

KMI formed Kids' Meals Support Corp ("KMSC") on January 10, 2024 for the purpose of exclusively supporting the programs operated by the Organization and to hold title to the property, including real and personal property, located at 8790 Hammerly Boulevard in Houston, Texas (the "Property"). On August 31, 2025, the Property was placed in service.

KMI formed The KMI Foundation (the "Foundation") on January 10, 2024 for the purpose of receipt, holding, and investment of funds for the benefit of the Organization, including acting as a lender to facilitate a New Markets Tax Credit ("NMTC") transaction.

KMI consolidates KMSC and Foundation (KMI, KMSC, and Foundation, are collectively, the "Consolidated Entity" or the "Organization"). The accounts of KMSC and Foundation are presented herein. The consolidated financial statements include the accounts of the Consolidated Entity. All material intercompany accounts and transactions are eliminated in consolidation.

2. Summary of significant accounting policies

Basis of accounting

The Organization prepares its consolidated financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

Basis of presentation

The Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature, which will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statement of activities.

KIDS' MEALS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025
(with comparative totals for December 31, 2024)

2. Summary of significant accounting policies (continued)

Principles of consolidation

The Consolidated Entity's consolidated financial statements include the accounts of majority-owned, controlled subsidiaries that the Organization controls. All material intercompany balances and transactions have been eliminated in consolidation.

Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Economic concentration

The Consolidated Entity's primary sources of funds are dependent on public and private donations. The Consolidated Entity's major asset is its property located in Houston, Texas. Future operations could be affected by changes in economic or other conditions in that geographical area.

Cash and cash equivalents

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or fewer at the date of acquisition.

Restricted cash is not considered cash and cash equivalents, and includes cash held with financial institutions for funding of construction payments, debt service payments, and payments of fee reimbursements. Restricted cash does not fall under the criteria for net assets with donor restrictions as these funds are held for operational purposes rather than donor-imposed restrictions.

Concentration of credit risk

The Consolidated Entity maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Consolidated Entity has not experienced any losses in such accounts. The Consolidated Entity believes it is not exposed to any significant credit risk on cash and cash equivalents.

Grants and pledges receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

Accounts receivable

Management considers receivables to be fully collectable. If amounts become uncollectible, they are charged to operations in the period in which that determination is made. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

KIDS' MEALS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025
(with comparative totals for December 31, 2024)

2. Summary of significant accounting policies (continued)

Notes receivable and allowance for credit losses

Notes receivable are measured at amortized cost basis and presented at the amount expected to be collected, net of deferred loan origination fees and unearned discounts, as applicable. The Organization records an allowance for credit losses based on losses expected to arise over the contractual term of the financial asset. Assets are written off when the Organization deems the loan receivable to be uncollectable. Write-offs are recognized as a deduction from the allowance for credit losses. Expected recoveries of amounts previously written off, which do not exceed the aggregate of previous write-offs, are included in determining the allowance account. As of December 31, 2025 and 2024, management believes that the Organization's loans receivable are fully collectable and as such, the allowance for credit losses is zero.

In developing estimates for expected credit losses, management considers historical loss information updated for current conditions and reasonable and supportable forecasts that affect expected collectability using a loss-rate approach. Management considers factors such as the borrower's financial condition, the borrower's ability to make scheduled interest or principal payments based on the current and forecasted direction of the economic and business environment, the remaining payment terms of the loan, the remaining time to maturity, and the value of underlying collateral. Although management uses many factors to estimate credit losses, because of uncertainties associated with local economic conditions, collateral values, and future cash flows, it is reasonably possible that a material change could occur in the allowance for credit loan losses in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

Notes receivable that are 90 days or more past due, based on the contractual terms of the loan, are classified on nonaccrual status. Uncollectable interest previously accrued is charged off, or an allowance is established by a charge to interest income. Interest income on nonaccrual loans is recognized only to the extent cash payments are received and the principal balance is believed to be collectable. A loan previously classified on nonaccrual status will resume accruing interest based on the contractual terms of the loan when payments on the loan become current. There were no loans on nonaccrual status as of December 31, 2025 and 2024.

Fair value measurements

The Organization applies the accounting provisions related to fair value measurements. These provisions define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establish a hierarchy that prioritizes the information used in developing fair value estimates and require disclosure of fair value measurements by level within the fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable data (Level 3 measurements), such as the reporting entity's own data. These provisions also provide valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flows) and the cost approach (cost to replace the service capacity of an asset or replacement cost).

KIDS' MEALS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025
(with comparative totals for December 31, 2024)

2. Summary of significant accounting policies (continued)

Fair value measurements (continued)

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of valuation hierarchy are defined as follows:

Level 1: Observable inputs such as quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs other than quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Unobservable inputs that reflect the Organization's own assumptions.

The following tables present the Organization's assets that are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of December 31, 2025 and 2024:

	December 31, 2025			Fair Value Measurements
	Level 1	Level 2	Level 3	
Assets				
Mutual funds	\$ 405,138	\$ -	\$ -	\$ 405,138
Asset backed securities	74,517	-	-	74,517
U.S. corporate bonds	6,579,844	-	-	6,579,844
U.S. equity securities	41,566	-	-	41,566
Total assets	<u>\$ 7,101,065</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,101,065</u>

	December 31, 2024			Fair Value Measurements
	Level 1	Level 2	Level 3	
Assets				
Mutual funds	\$ 2,533,349	\$ -	\$ -	\$ 2,533,349
Asset backed securities	71,897	-	-	71,897
U.S. corporate bonds	3,565,619	-	-	3,565,619
U.S. treasury bonds	339,816	-	-	339,816
U.S. equity securities	22,722	-	-	22,722
Total assets	<u>\$ 6,533,453</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,533,453</u>

KIDS' MEALS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025
(with comparative totals for December 31, 2024)

2. Summary of significant accounting policies (continued)

Investments

Investment purchases and sales are accounted for on a trade-date basis. Realized gains and losses are calculated based upon the underlying cost of individual lots. Interest income is recorded when earned and dividends are recorded on the ex-dividend date.

Investments are made according to the finance policy adopted by the Organization's Board of Directors. The guidelines provide for investment in equities, fixed income, and other securities with performance measured against appropriate indices. Outside advisors are utilized by the Organization for the purpose of providing investment and consulting advice.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Fixed assets and depreciation

Purchases of property, equipment, or improvements costing more than \$2,000 are recorded at cost. Major improvements are charged to the fixed asset account, while maintenance and repairs, which do not extend the life of the respective assets, are expensed. When fixed assets are retired or otherwise disposed, the cost of the fixed asset and the related accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in income.

Donations of land, buildings, and equipment are recorded as support at their estimated fair value in the statement of activities. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used acquire buildings and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Depreciation expense for the years ended December 31, 2025 and 2024 was \$709,981 and \$279,179, respectively. The useful lives of the assets are estimated as follows:

Building	30 years
Leasehold improvements	3 years
Furniture and equipment	5 - 15 years
Computer equipment	3 years
Vehicles	5 years

KIDS' MEALS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025
(with comparative totals for December 31, 2024)

2. Summary of significant accounting policies (continued)

Fixed assets and depreciation (continued)

As of December 31, 2025 and 2024, the Consolidated Entity's fixed assets consisted of:

	<u>2025</u>	<u>2024</u>
Land	\$ 8,329,689	\$ 8,329,689
Leasehold improvements	5,505	24,814
Building	19,549,451	-
Construction in progress	-	11,959,137
Equipment, furniture, and fixtures	2,310,602	397,827
Vehicles	<u>1,559,673</u>	<u>1,288,461</u>
Total fixed assets	31,754,920	21,999,928
Less: accumulated depreciation	<u>(1,395,733)</u>	<u>(810,323)</u>
Fixed assets, net	<u>\$ 30,359,187</u>	<u>\$ 21,189,605</u>

Impairment of long-lived assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flows expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation technique. For the years ended December 31, 2025 and 2024, no impairment losses were recognized for both years.

Endowment funds

In August 2008, Financial Accounting Standards Board ("FASB") provided guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). This guidance also improves disclosures about an organization's endowed funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

The Organization is subject to the required disclosures in that the Organization classifies its unrealized gains and losses on donor-restricted endowed funds as net assets with donor restrictions. As of December 31, 2025 and 2024, no fund balances were below the historical gift amount for both years.

The endowment fund consists of the Huffington Endowment Fund. The Organization has agreed to maintain a principal balance of \$50,000 and to expend only the income and net capital gains of the fund for operation purposes. As needed, the board of directors will appropriate available funds for specific purposes. There were no appropriations made for operating activities for the years ended December 31, 2025 and 2024. As of December 31, 2025 and 2024, the Organization's share of investment gain was \$91,046 and \$71,937, respectively, which is included in investment income in the accompanying consolidated statement of activities and changes in net assets.

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2. Summary of significant accounting policies (continued)

Income taxes

KMI, KMSC, and Foundation are exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and from Texas franchise taxes.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

The Organization receives substantial donations of food from various donors. The Organization values the food based on comparable cost estimates.

Unconditional pledges to give are recorded as contributions when pledged at the net present value of the amounts expected to be collected. Unconditional pledges to give that are expected to be received in future periods are discounted annually using the current interest rate the funds would earn. Amortization of the discount is recorded as contribution revenue.

Revenue recognition

Revenue resulting from grants is recognized upon satisfaction of conditions and terms outlined in the respective agreements.

Interest income is recognized when earned in accordance with the contractual terms of the loan agreements and promissory notes. Advance interest payments are deferred and classified as liabilities until earned.

Revenue resulting from special events, fees charged by the Organization, and other income is recognized when performance obligations are met.

Functional expenses

The costs of providing program services and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program services, management and general, and fundraising services benefited. Such allocations are determined by management on an equitable basis.

The Organization allocates a portion of its capital campaign expenses to its fundraising function, as they are non-recurring in nature. For the years ended December 31, 2025 and 2024, the amount of capital campaign expenses allocated to fundraising was \$213,336 and \$173,806, respectively.

KIDS' MEALS, INC. AND SUBSIDIARIES
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2. Summary of significant accounting policies (continued)

Functional expenses (continued)

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of allocation</u>
Interest	Purpose
Depreciation	Purpose
Amortization	Purpose
General and administrative	Time and effort
Repairs and maintenance	Purpose
Salaries and benefits	Time and effort
Occupancy	Square footage used
Professional services	Purpose
Fundraising	Purpose
Advertising	Purpose

Advertising

Advertising costs are expensed as incurred. For the years ended December 31, 2025 and 2024, the Organization incurred \$198,215 and \$191,039, respectively, in advertising costs.

Leases

The Organization determines if an arrangement is a lease at inception. An arrangement is a lease if the arrangement conveys a right to direct the use of and to obtain substantially all of the economic benefits from the use of an asset for a period of time in exchange for consideration.

Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Organization uses a risk-free rate at the commencement date in determining the present value of lease payments.

The operating lease right-of-use asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. The lease agreements do not contain any material residual value guarantees or material restrictive covenants. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Subsequent events

Subsequent events have been evaluated through April 30, 2026, which is the date the consolidated financial statements were available to be issued, and there are no subsequent events requiring disclosure.

KIDS' MEALS, INC. AND SUBSIDIARIES
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3. Liquidity and availability of financial assets

The following represents the Consolidated Entity's financial assets at December 31, 2025 and 2024:

Financial assets at year end:	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 4,725,136	\$ 1,738,171
Restricted cash	3,751,143	15,012,369
Grants and pledges receivable	5,335,660	4,115,060
Accounts receivable	25,954	25,360
Notes receivable	23,081,500	23,081,500
Endowment fund	446,391	367,841
Investments	<u>6,654,674</u>	<u>6,177,332</u>
Total financial assets	<u>44,020,458</u>	<u>50,519,656</u>
Less amounts not available to be used within one year:		
Restricted cash	\$ 734,424	\$ 903,806
Grants and pledges receivable	1,145,664	2,014,400
Notes receivable	23,081,500	23,081,500
Endowment fund	50,000	50,000
Investments	<u>4,061,512</u>	<u>4,237,456</u>
Total financial assets	<u>29,073,100</u>	<u>30,287,162</u>
Financial assets available to meet general expenditures over the next twelve months:	<u>\$ 14,947,358</u>	<u>\$ 20,232,494</u>

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is committed to support the Organization's ongoing mission and long-term financial stability and the construction and development of the Property.

4. Restricted cash

Kids' Meals, Inc.

Operating business CDE reserve

Concurrent with the Organization's qualified low-income community investment ("QLICI") loans from BCC NMTC CDE XXXVI LLC ("OB Lender") funded on March 7, 2024, a reserve account was established for the purpose of paying certain fees and expenses due to the OB Lender (the "OB CDE Reserve"). The OB CDE Reserve is pledged to the OB Lender as collateral for the loans.

Operating business disbursement account

Concurrent with the Organization's QLICI loans from the OB Lender funded on March 7, 2024, a disbursement account was established to provide for future operating expenses (the "OB Disbursement Account"). The OB Disbursement Account is pledged to the OB Lender as collateral for the loans.

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4. Restricted cash (continued)

Kids' Meals Support Corp

Real estate CDE reserve

Concurrent with KMSC's QLICI loans from BCC NMTC CDE XXXVII LLC ("RE Lender") funded on March 12, 2024, a reserve account was established for the purpose of paying certain fees and expenses due to the RE Lender (the "RE CDE Reserve"). The RE CDE Reserve is pledged to the RE Lender as collateral for the loans.

Real estate disbursement account

Concurrent with the KMSC's QLICI loans from the RE Lender funded on March 7, 2024, a disbursement account was established to provide for to provide for development costs related to the Property (the "RE Disbursement Account"). The RE Disbursement Account is pledged to the RE Lender as collateral for the loans.

The Consolidated Entity's restricted cash balances as of December 31, 2025 and 2024, comprised the following:

	<u>2025</u>	<u>2024</u>
RE Disbursement Account	\$ 2,665,538	\$ 12,444,421
OB Disbursement Account	181,799	1,494,759
RE CDE Reserve	591,662	703,187
OB CDE Reserve	312,144	370,002
Total restricted cash	<u>\$ 3,751,143</u>	<u>\$ 15,012,369</u>

5. Transactions with related parties

Donations from board members

For the years ended December 31, 2025 and 2024, the Organization received \$159,312 and \$172,991 in donations from its board members. For the years ended December 31, 2025 and 2024, \$122,141 and \$62,709, respectively, of these contributions are included as contributions without donor restrictions in the accompanying consolidated statement of activities and changes in net assets.

6. Investments

Investments comprised the following as of December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Mutual funds	\$ 313	\$ 2,200,000
Asset backed securities	74,517	71,897
U.S. corporate bonds	6,579,844	3,565,619
U.S treasury bonds	-	339,816
Total investments	<u>\$ 6,654,674</u>	<u>\$ 6,177,332</u>

KIDS' MEALS, INC. AND SUBSIDIARIES
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6. Investments (continued)

The following schedule summarizes the investment return and its classification in the consolidated statement of activities and changes in net assets for the years ended December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Interest	\$ 271,672	\$ 135,610
Dividends	21,925	119,324
Unrealized gains	15,704	56,331
Realized gain (loss)	<u>111,433</u>	<u>(29,137)</u>
Total investments income, net	<u>\$ 420,734</u>	<u>\$ 282,128</u>

7. Notes receivable

Kids' Meals, Inc.

Real Estate Leverage Loan

Pursuant to Fund Promissory Note dated March 12, 2024 ("RE Lev Loan Note"), KMI made a loan to KM Houston Investment Fund, LLC (the "RE Investment Fund") in the amount of \$15,979,500 (the "RE Lev Loan"). Commencing on March 12, 2024 through March 1, 2031, interest only, at a rate of 1.3753% per annum, is payable, partially in arrears and partially in advance, in quarterly installments on the 15th day of each March, June, September and December ("Payment Dates"). Commencing on March 1, 2031, payments of principal and interest are due in accordance with the Payment Schedule attached to the RE Lev Loan Note through maturity on March 12, 2049. The RE Lev Loan is secured by the Pledged Collateral, as defined in the Fund Pledge Agreement dated March 12, 2024, comprising 99.99% membership interest in RE Lender. As a result of KMI making the RE Lev Loan, KMSC received RE Loan A discussed in Note 8.

The KMI Foundation

Real Estate Leverage Loan

Pursuant to Fund Promissory Note dated March 7, 2024 ("OB Lev Loan Note"), the Foundation made a loan to KM2 Houston Investment Fund, LLC (the "OB Investment Fund") in the amount of \$7,102,000 (the "OB Lev Loan"). Commencing on March 7, 2024 through March 1, 2031, interest only, at a rate of 1.3708% per annum, is payable, partially in arrears and partially in advance, in quarterly installments on the Payment Dates. Commencing on March 1, 2031, payments of principal and interest are due in accordance with the Payment Schedule attached to the OB Lev Loan Note through maturity on March 7, 2049. The OB Lev Loan is secured by the Pledged Collateral, as defined in the Fund Pledge Agreement dated March 7, 2024 comprising 99.99% membership interest in OB Lender. As a result of the Foundation making the OB Lev Loan, KMI received OB Loan A discussed in Note 8.

KIDS' MEALS, INC. AND SUBSIDIARIES
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7. Notes receivable (continued)

Notes receivable consists of the following as of December 31, 2025 and 2024:

	2025	2024
RE Lev Loan	\$ 15,979,500	\$ 15,979,500
OB Lev Loan	7,102,000	7,102,000
Total notes receivable	23,081,500	23,081,500
Less: allowance for credit losses	-	-
Notes receivable, net	\$ 23,081,500	\$ 23,081,500

As of December 31, 2025 and 2024, there was no accrued interest receivable for both years.

Future principal payments on the notes receivable are expected to be as follows:

Years ending December 31,		
2026	\$	-
2027		-
2028		-
2029		-
2030		-
Thereafter		23,081,500
Total	\$	23,081,500

8. Notes payable

Kids' Meals Support Corp

Real Estate Loan A

Pursuant to Promissory Note A1 dated March 12, 2024 ("RE Note A"), KMSC received a loan from the RE Lender in the amount of \$15,979,500 (the "RE Loan A"). Commencing on March 12, 2024 through March 1, 2031, interest only, at a rate of 1.00% per annum, is payable, partially in arrears and partially in advance, in quarterly installments on the 5th day of each March, June, September and December ("QLICI Payment Dates"). Commencing on March 1, 2031, payments of principal and interest are due in accordance with the Payment Schedule attached to RE Note A through maturity on March 12, 2054 (the "RE Maturity Date"). RE Loan A is secured by the Deposit Collateral, as defined in the Account Pledge and Control Agreement dated March 12, 2024, comprising a security interest in the RE Disbursement Account and RE CDE Reserve (the "RE Collateral").

Real Estate Loan B

Pursuant to Promissory Note B1 dated March 12, 2024 ("RE Note B"), KMSC received a loan from the RE Lender in the amount of \$6,070,500 (the "RE Loan B"). Commencing on March 12, 2024 through March 1, 2031, interest only, at a rate of 1.00% per annum, is payable, partially in arrears and partially in advance, in quarterly installments on the QLICI Payment Dates. Commencing on March 1, 2031, payments of principal and interest are due in accordance with the Payment Schedule attached to RE Note B through maturity on the RE Maturity Date. RE Loan B is secured by the RE Collateral.

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8. Notes payable (continued)

Kids' Meals, Inc.

Operating Business Loan A

Pursuant to Promissory Note A1 dated March 7, 2024 ("OB Note A"), KMI received a loan from the OB Lender in the amount of \$7,102,000 (the "OB Loan A"). Commencing on March 7, 2024 through March 1, 2031, interest only, at a rate of 1.00% per annum, is payable, partially in arrears and partially in advance, in quarterly installments on the QLICI Payment Dates. Commencing on March 1, 2031, payments of principal and interest are due in accordance with the Payment Schedule attached to OB Note A through maturity on March 7, 2054 (the "OB Maturity Date"). OB Loan A is secured by the Deposit Collateral, as defined in the Account Pledge and Control Agreement dated March 7, 2024, comprising a security interest in the OB Disbursement Account and OB CDE Reserve (the "OB Collateral").

Operating Business Loan B

Pursuant to Promissory Note B1 dated March 7, 2024 ("OB Note B"), KMI received a loan from the OB Lender in the amount of \$2,698,000 (the "OB Loan B"). Commencing on March 7, 2024 through March 1, 2031, interest only, at a rate of 1.00% per annum, is payable, partially in arrears and partially in advance, in quarterly installments on the QLICI Payment Dates. Commencing on March 1, 2031, payments of principal and interest are due in accordance with the Payment Schedule attached to OB Note B through maturity on the OB Maturity Date. OB Loan B is secured by the OB Collateral.

Real Estate Source Loan

Pursuant to the Loan Agreement dated March 12, 2024 (the "Source Loan Agreement"), KMI received a loan from Regions Commercial Equipment Finance, LLC in the principal amount of \$9,981,604 (the "Source Loan"). Pursuant to the Promissory Note dated March 12, 2024 (the "Source Note"), the Source Loan accrues interest per annum equal to the Term SOFR rate, as defined in the Source Note, plus an applicable margin of 1.45%. Interest payments are due monthly in arrears 1st day of each calendar month until the loan matures on March 1, 2028. Principal payments in the amount of monthly capital campaign proceeds are made on the 1st of each month following the receipt of such proceeds. The Source Loan is secured by the Security Documents, as defined in the Source Loan Agreement.

Notes payable consists of the following as of December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
RE Loan A	\$ 15,979,500	\$ 15,979,500
RE Loan B	6,070,500	6,070,500
OB Loan A	7,102,000	7,102,000
OB Loan B	2,698,000	2,698,000
Source Loan	<u>-</u>	<u>2,201,011</u>
Total notes receivable	31,850,000	34,051,011
Less: unamortized debt issuance costs	<u>(1,155,067)</u>	<u>(1,222,358)</u>
Notes payable, net	<u>\$ 30,694,933</u>	<u>\$ 32,828,653</u>

KIDS' MEALS, INC. AND SUBSIDIARIES
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8. Notes payable (continued)

As of December 31, 2025 and 2024, accrued interest payable was \$0 for both years. For the years ended December 31, 2025 and 2024, interest expense was \$199,662 and \$454,266, respectively. For the years ended December 31, 2025 and 2024, interest capitalized into fixed assets was \$252,769 and \$177,012, respectively.

Debt issuance costs are being amortized to interest expense over the term of the loan utilizing the effective interest method. For the years ended December 31, 2025 and 2024, amortization expense for debt issuance costs was \$67,291 and \$18,280, respectively. For the years ended December 31, 2025 and 2024, amortization expense for debt issuance costs capitalized into fixed assets was \$0 and \$36,051, respectively.

For the years ended December 31, 2025 and 2024, the effective interest rates were as follows:

	<u>2025</u>	<u>2024</u>
RE Loan A	1.23%	1.23%
RE Loan B	1.23%	1.23%
OB Loan A	1.21%	1.21%
OB Loan B	1.21%	1.21%
Source Loan	5.91%	6.06%

Annual principal payments are as follows:

Year ending December 31,		
2026	\$	-
2027		-
2028		-
2029		-
2030		-
Thereafter		<u>31,850,000</u>
Total		<u>\$ 31,850,000</u>

9. Leases

Kids' Meals, Inc.

Magnolia Lease

The Organization leases property from Wave, LLC pursuant to the Lease Agreement dated February 26, 2022 (the "Magnolia Lease"). The leased property includes 1,785 square feet of warehouse and office space. The Magnolia Lease commenced on April 1, 2022 and has a 3-year term. Base rent in the amount of \$2,410 is due monthly, escalating at 7% per annum.

Pursuant to the Lease Amendment dated August 4, 2025 (the "Magnolia Lease Amendment"). The Organization extended the lease term an additional 36 months from August 1, 2025 through July 31, 2028. The Magnolia Lease Amendment commenced on August 1, 2025. Base rent in the amount of \$4,496 is due monthly, escalating at 6% per annum.

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9. Leases (continued)

Kids' Meals, Inc. (continued)

Garden Oaks Lease

Pursuant to the Third Lease Renewal Amendment executed on November 9, 2022, the Organization agreed to extend a lease with Houston-Pine Forest M, LLC (the "Garden Oaks Lease") for three additional years commencing on March 1, 2023 and expiring on February 28, 2026. The leased property includes 18,925 square feet of office space. Base rent in the amount of \$10,030 is due monthly, escalating at 3% per annum.

The balances for the Magnolia Lease and Garden Oaks Lease are presented as follows on the consolidated statement of financial position as of December 31, 2025 and 2024:

Operating leases:	2025	2024
Operating lease right-of-use asset	\$ 164,648	\$ 180,303
Operating lease liability	\$ 167,844	\$ 194,270

Lease expense on the consolidated statement of operations for the years ended December 31, 2025 and 2024 consists of the following:

	2025	2024
Operating lease expense	\$ 217,771	\$ 248,733

As of December 31, 2025 and 2024, the weighted-average remaining lease term for these operating leases approximated 2.58 and 1.13 years and the weighted-average discount rate approximated 4.00% and 4.53%, respectively.

The lease agreements did not provide an implicit rate of return and the Organization used its risk-free rate based on information available at the commencement date in determining the present value of lease payments.

As of December 31, 2025, the maturities of operating lease liabilities are summarized as follows:

Year ending December 31,	
2026	\$ 82,650
2027	58,029
2028	34,426
Total minimum lease payments	175,105
Less: present value discount	(7,261)
Total lease liabilities	\$ 167,844

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10. Employee retirement plan

In September 2023, the Organization established a 401(k) plan. Employees are eligible to participate in the plan and can defer a portion of their gross bi-weekly salary into the plan, not to exceed statutory limits. The Organization currently matches 3% of all employee contributions to the plan. For the years ended December 31, 2025 and 2024, the Organization incurred \$69,475 and \$35,382 of employer contributions, respectively, which is included in payroll expense in the accompanying consolidated statement of activities and changes in net assets.

11. Net assets

Net assets without donor restrictions

Net assets without donor restrictions consist of the following as of December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Board-designated	\$ -	\$ -
Undesignated	34,819,727	30,968,137
Total net assets without donor restrictions	<u>\$ 34,819,727</u>	<u>\$ 30,968,137</u>

Net assets with donor restrictions

Net assets with donor restrictions consist of the following as of December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Capital campaign for new facility	\$ 6,588,586	\$ 4,494,982
Salaries	25,000	25,000
Auto expenses	-	31,884
Facility improvements and equipment	30,000	-
Endowment fund	50,000	50,000
Meals/MOCO	50,000	-
Total net assets with donor restrictions	<u>\$ 6,743,586</u>	<u>\$ 4,601,872</u>

12. Endowments

The Organization's endowments are established to provide increased long-range funding for future operations, administration, expansion, and projects of the Organization. As required by accounting principles generally accepted in the United State of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

As of December 31, 2025 and 2024, endowment net assets consisted of the following:

	<u>December 31, 2025</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor restricted endowments	\$ -	\$ 50,000	\$ 50,000
Board designated endowments	-	-	-
Total	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>

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12. Endowments (continued)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowments – January 1, 2025	\$ 317,841	\$ 50,000	\$ 367,841
Investment income	46,827	-	46,827
Unrealized gain	44,219	-	44,219
Reclassifications	(12,496)	-	(12,496)
Endowments – December 31, 2025	<u>\$ 396,391</u>	<u>\$ 50,000</u>	<u>\$ 446,391</u>

	<u>December 31, 2024</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor restricted endowments	\$ -	\$ 50,000	\$ 50,000
Board designated endowments	-	-	-
Total	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowments – January 1, 2024	\$ 245,904	\$ 50,000	\$ 284,674
Investment income	38,375	-	38,375
Unrealized gain	33,562	-	33,562
Endowments – December 31, 2024	<u>\$ 317,841</u>	<u>\$ 50,000</u>	<u>\$ 367,841</u>

The Board of Directors of the Organization has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (“TUPMIFA”), as enacted by the state of Texas, as requiring the preservation of the fair value of the original gift as of the gift date of the endowment funds absent explicit donor stipulations to the contrary. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions are appropriated for expenditure by the Organization in accordance with TUPMIFA.

In accordance with TUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate endowment funds, including board-designated endowment funds: (1) the duration and preservation of the funds, (2) the purposes of the Organization and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization’s investment policies.

Pursuant to the Endowment Agreement between the Organization and Huffington Foundation dated December 14, 1994, the Organization received a gift in the amount of \$50,000 (the “Endowment Principal”) and agreed expend only the investment income and net capital gains earned from the Endowment Principal. As needed, the board of directors of the Organization will appropriate the available funds for specific purposes.

KIDS' MEALS, INC. AND SUBSIDIARIES
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13. Commitments and contingencies

New markets tax credits

During 2024, the Organization participated in two NMTC financing transactions to support the construction and long-term use of its facility. Under each NMTC structure, funds were provided through a special financing arrangement supported by a tax credit investor. To facilitate these transactions, the Organization entered loan arrangements with the tax credit investor and special purpose lenders, which resulted in loan receivables and payables being recorded in the financial statements. The purpose of the NMTC program is to encourage investment in organizations that serve low-income communities. As a result of this arrangement, the Organization received funding to help support its mission, while the investor receives tax credits provided by the federal government. The financing is subject to certain compliance requirements over a seven-year period, after which the Organization has the option to assume control of both NMTC structures, as discussed in Note 14. The following are commitments and contingencies related to each NMTC transaction.

Kids' Meals, Inc.

On March 7, 2024, KMI secured QLICI loans from the OB Lender. As a result of making the loans, Regions Bank is eligible for federal income tax credits under the NMTC program implemented by Congress in December 2000.

Pursuant to the QALICB Indemnification Agreement dated March 7, 2024 (the "OB Indemnification Agreement"), upon the occurrence of an event or condition that results in a recapture of all or any portion of NMTCs ("Recapture Event"), KMI (the "OB Indemnitor") shall pay the NMTC Recapture Amount, as defined in the OB Indemnification Agreement, to Regions Bank, but only if and to the extent that such Recapture Event is the result of:

- i. The portion of KMI's business participating in the transaction ("POB") ceasing to qualify as a qualified low-income community business ("QALICB");
- ii. The redemption (within the meaning of Section 1.45D-1(e)(2)(iii) of the Treasury Regulations) of any portion of the qualified equity investment ("QEI") received by the OB Lender due to default by the OB Indemnitor on its QLICIs;
- iii. Changes to the Internal Revenue Code ("IRC") or the Treasury Regulations, but only to the extent that the adverse effects thereof could reasonably have been mitigated by OB Indemnitor;
- iv. The failure of the POB or any of its tenants or subtenants to constitute a qualified business, within the meaning of Section 1.45D-1(d)(5) of the Treasury Regulations;
- v. The OB Lender's failure to satisfy the "substantially all" test under Section 1.45D-1(c)(1)(ii) and (5) of the Treasury Regulations due to voluntary or involuntary prepayment of principal by the POB on its QLICI loans received from the OB Lender;
- vi. The failure of the QLICI loans to qualify as a QLICI due to default by the OB Indemnitor; or
- vii. Any other matter within control of the OB Indemnitor, including without limitation, any fraud, intentional misconduct, gross negligence, material misrepresentation, or any other action or inaction within the control of the OB Indemnitor or its affiliates.

As of December 31, 2025 and 2024, no claims or payments had been made relative to the indemnity and the Consolidated Entity is not aware of the occurrence of any Recapture Event. The Consolidated Entity has determined the likelihood of a Recapture Event to be remote after considering related factors. Accordingly, no liability has been recorded relative to the indemnity.

KIDS' MEALS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025
(with comparative totals for December 31, 2024)

13. Commitments and contingencies (continued)

Kids' Meals Support Corp

On March 12, 2024, KMSC secured QLICI loans from the RE Lender. As a result of making the loans, Regions Bank is eligible for federal income tax credits under the NMTC program implemented by Congress in December 2000.

Pursuant to the QALICB Indemnification Agreement dated March 12, 2024 (the "RE Indemnification Agreement"), upon the occurrence of Recapture Event, KMSC (the "RE Indemnitor") shall pay the NMTC Recapture Amount, as defined in the RE Indemnification Agreement, to Regions Bank, but only if and to the extent that such Recapture Event is the result of:

- i. KMSC ceasing to qualify as a QALICB;
- ii. The redemption (within the meaning of Section 1.45D-1(e)(2)(iii) of the Treasury Regulations) of any portion of the QEI received by the RE Lender due to default by the RE Indemnitor on its QLICIs;
- iii. Changes to the IRC or the Treasury Regulations, but only to the extent that the adverse effects thereof could reasonably have been mitigated by RE Indemnitor;
- iv. The failure of KMSC or any of its tenants or subtenants to constitute a qualified business, within the meaning of Section 1.45D-1(d)(5) of the Treasury Regulations;
- v. The RE Lender's failure to satisfy the "substantially all" test under Section 1.45D-1(c)(1)(ii) and (5) of the Treasury Regulations due to voluntary or involuntary prepayment of principal by KMSC on its QLICI loans received from the RE Lender;
- vi. The failure of the QLICI loans to qualify as a QLICI due to default by the RE Indemnitor; or
- vii. Any other matter within control of the RE Indemnitor, including without limitation, any fraud, intentional misconduct, gross negligence, material misrepresentation, or any other action or inaction within the control of the RE Indemnitor or its affiliates.

As of December 31, 2025 and 2024, no claims or payments had been made relative to the indemnity and the Consolidated Entity is not aware of the occurrence of any Recapture Event. The Consolidated Entity has determined the likelihood of a Recapture Event to be remote after considering related factors. Accordingly, no liability has been recorded relative to the indemnity.

KIDS' MEALS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025
(with comparative totals for December 31, 2024)

14. Options

KM Houston Investment Fund Put Option

Pursuant to the Investment Fund Put/Call Agreement dated March 12, 2024 between KMI and Regions Community Investments, LLC (the "IF Member"), KMI granted the IF Member the option to sell 100% of its interest in the RE Investment Fund for the sum of (i) \$1,000, (ii) any transfer taxes and closing costs attributable to the sale of the interest, (iii) any amounts due under the RE Indemnification Agreement, and (iv) any other amounts due to the RE Investment Fund unrelated to the QLICI loans (the "RE Put"). Upon the end of the 84-month NMTC compliance period, KMI will be able to send notice to the IF Member that it can exercise the RE Put. The IF Member can exercise the RE Put within 90 days of receiving notice from the Organization (the "Put Option Period") or otherwise deliver notice that it will not exercise its option (the "Put Rejection"). Alternatively, KMI holds the option to purchase 100% of the interest in the RE Investment Fund upon receipt of a Put Rejection or expiration of the Put Option Period with no response from the IF Member (the "RE Call"). As of December 31, 2025 and 2024, the IF Member has not exercised the RE Put and KMI has not exercised the RE Call.

KM2 Houston Investment Fund Put Option

Pursuant to the Investment Fund Put/Call Agreement dated March 7, 2024 between the Foundation and the IF Member, the Foundation granted the IF Member the option to sell 100% of its interest in the OB Investment Fund for the sum of (i) \$1,000, (ii) any transfer taxes and closing costs attributable to the sale of the interest, (iii) any amounts due under the OB Indemnification Agreement, and (iv) any other amounts due to the OB Investment Fund unrelated to the QLICI loans (the "OB Put"). Upon the end of the 84-month NMTC compliance period, the Foundation will be able to send notice to the IF Member that it can exercise the OB Put. The IF Member can exercise the OB Put within the Put Option Period or otherwise deliver a Put Rejection. Alternatively, the Foundation holds the option to purchase 100% of the interest in the OB Investment Fund upon receipt of a Put Rejection or expiration of the Put Option Period with no response from the IF Member (the "OB Call"). As of December 31, 2025 and 2024, the IF Member has not exercised the OB Put and the Foundation has not exercised the OB Call.



SUPPLEMENTARY INFORMATION

KIDS' MEALS, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
December 31, 2025
(with comparative totals as of December 31, 2024)

	Kids' Meals	KMSC	Foundation	Eliminations	Consolidated Total	
					2025	2024
ASSETS						
Current assets						
Cash and cash equivalents	\$ 4,548,266	\$ 10	\$ 176,860	\$ -	\$ 4,725,136	\$ 1,738,171
Restricted cash - current	239,656	2,777,063	-	-	3,016,719	14,108,563
Interest receivable	69,534	-	-	-	69,534	40,836
Prepaid expenses	462,650	-	-	-	462,650	271,677
Accounts receivable	25,954	-	-	-	25,954	25,360
Grants and pledges receivable - current	4,189,996	-	-	-	4,189,996	2,100,660
Investments - current	2,593,162	-	-	-	2,593,162	1,939,876
Endowments - current	396,391	-	-	-	396,391	317,841
Total current assets	<u>12,525,609</u>	<u>2,777,073</u>	<u>176,860</u>	<u>-</u>	<u>15,479,542</u>	<u>20,542,984</u>
Noncurrent assets						
Restricted cash - noncurrent	254,287	480,137	-	-	734,424	903,806
Grants and pledges receivable - noncurrent	1,145,664	-	-	-	1,145,664	2,014,400
Notes receivable, net	15,979,500	-	7,102,000	-	23,081,500	23,081,500
Investments - noncurrent	4,061,512	-	-	-	4,061,512	4,237,456
Endowments - noncurrent	50,000	-	-	-	50,000	50,000
Fixed assets, net	9,294,948	21,064,239	-	-	30,359,187	21,189,605
Right-of-use lease asset	164,648	-	-	-	164,648	180,303
Due from related parties	2,971,248	-	-	(2,971,248)	-	-
Total noncurrent assets	<u>33,921,807</u>	<u>21,544,376</u>	<u>7,102,000</u>	<u>(2,971,248)</u>	<u>59,596,935</u>	<u>51,657,070</u>
Total assets	<u>\$ 46,447,416</u>	<u>\$ 24,321,449</u>	<u>\$ 7,278,860</u>	<u>\$ (2,971,248)</u>	<u>\$ 75,076,477</u>	<u>\$ 72,200,054</u>
LIABILITIES AND NET ASSETS						
Current liabilities						
Accounts payable	\$ 284,553	\$ -	\$ -	\$ -	\$ 284,553	\$ 205,793
Construction payable	2,277,947	-	-	-	2,277,947	3,317,848
Payroll liabilities payable	87,887	-	-	-	87,887	83,481
Due to related parties	-	2,971,248	-	(2,971,248)	-	-
Short-term lease liability	78,121	-	-	-	78,121	166,978
Total current liabilities	<u>2,728,508</u>	<u>2,971,248</u>	<u>-</u>	<u>(2,971,248)</u>	<u>2,728,508</u>	<u>3,774,100</u>
Noncurrent liabilities						
Notes payable, net	9,412,463	21,282,470	-	-	30,694,933	32,828,653
Long-term lease liability	89,723	-	-	-	89,723	27,292
Total noncurrent liabilities	<u>9,502,186</u>	<u>21,282,470</u>	<u>-</u>	<u>-</u>	<u>30,784,656</u>	<u>32,855,945</u>
Total liabilities	12,230,694	24,253,718	-	(2,971,248)	33,513,164	36,630,045
Net assets						
Without donor restrictions	27,473,136	67,731	7,278,860	-	34,819,727	30,968,137
With donor restrictions	6,743,586	-	-	-	6,743,586	4,601,872
Total net assets	<u>34,216,722</u>	<u>67,731</u>	<u>7,278,860</u>	<u>-</u>	<u>41,563,313</u>	<u>35,570,009</u>
Total liabilities and net assets	<u>\$ 46,447,416</u>	<u>\$ 24,321,449</u>	<u>\$ 7,278,860</u>	<u>\$ (2,971,248)</u>	<u>\$ 75,076,477</u>	<u>\$ 72,200,054</u>

see accompanying notes

KIDS' MEALS, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the year ended December 31, 2025
(with comparative totals for the year ended December 31, 2024)

	Without Donor Restrictions			With Donor Restrictions			Eliminations	Consolidated Total	
	Kids' Meals	KMSC	Foundation	Kids' Meals	KMSC	Foundation		2025	2024
PUBLIC SUPPORT AND OTHER REVENUES									
Contributions of cash and other financial assets									
Public support:									
Contributions	\$ 7,953,019	\$ -	\$ -	\$ 5,353,226	\$ -	\$ -	\$ -	\$ 13,306,245	\$ 12,525,434
Donated food	2,050,330	-	-	-	-	-	-	2,050,330	2,291,848
Special events (net of \$457,314 and \$384,930 expenses, respectively)	791,590	-	-	-	-	-	-	791,590	771,091
Total public support	10,794,939	-	-	5,353,226	-	-	-	16,148,165	15,588,373
Other revenues:									
Interest income	262,588	-	97,354	-	-	-	-	359,942	288,728
Investment income, net	420,734	-	-	-	-	-	-	420,734	282,128
Other income	6,024	-	-	-	-	-	-	6,024	1,984
Total other revenues	689,346	-	97,354	-	-	-	-	786,700	572,840
Net assets released from restrictions	3,211,512	-	-	(3,211,512)	-	-	-	-	-
Total revenue and other support	14,695,797	-	97,354	2,141,714	-	-	-	16,934,865	16,161,213
EXPENDITURES									
Program services	8,353,804	504,464	-	-	-	-	-	8,858,268	7,273,964
Administrative and support	1,399,497	-	-	-	-	-	-	1,399,497	735,854
Fundraising	683,796	-	-	-	-	-	-	683,796	1,046,092
Total expenditures	10,437,097	504,464	-	-	-	-	-	10,941,561	9,055,910
CHANGE IN NET ASSETS	4,258,700	(504,464)	97,354	2,141,714	-	-	-	5,993,304	7,105,303
NET ASSETS AT BEGINNING OF YEAR	23,214,436	572,195	7,181,506	4,601,872	-	-	-	35,570,009	28,464,706
NET ASSETS AT END OF YEAR	\$ 27,473,136	\$ 67,731	\$ 7,278,860	\$ 6,743,586	\$ -	\$ -	\$ -	\$ 41,563,313	\$ 35,570,009

see accompanying notes

KIDS' MEALS, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF CASH FLOWS
For the year ended December 31, 2025
(with comparative totals for the year ended December 31, 2024)

	Kids' Meals	KMSC	Foundation	Eliminations	Consolidated Total	
					2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES						
Change in net assets	\$ 6,400,414	\$ (504,464)	\$ 97,354	\$ -	\$ 5,993,304	\$ 7,105,303
Adjustments to reconcile change in net assets to net cash provided by operating activities:						
Interest expense - debt issuance costs	22,383	44,908	-	-	67,291	18,280
Amortization of right-of-use lease asset	15,655	-	-	-	15,655	176,009
Amortization of right-of-use lease liability	(26,426)	-	-	-	(26,426)	(179,813)
Depreciation expense	329,681	380,300	-	-	709,981	279,179
Loss on disposal of fixed asset	56,347	-	-	-	56,347	8,534
Unrealized gain on investments	(15,704)	-	-	-	(15,704)	(56,331)
Realized (gain) loss on sale of investments	(111,433)	-	-	-	(111,433)	29,137
Changes in operating assets and liabilities:						
Increase in accounts receivable	(594)	-	-	-	(594)	(1,083)
(Increase) decrease in grants and pledges receivable	(1,220,600)	-	-	-	(1,220,600)	1,585,093
Increase in interest receivable	(28,698)	-	-	-	(28,698)	(40,836)
Increase in prepaid expenses	(190,973)	-	-	-	(190,973)	(785)
Increase in due from related parties	(594,905)	-	-	594,905	-	-
Increase in accounts payable	78,760	-	-	-	78,760	73,391
Increase in payroll liabilities payable	4,406	-	-	-	4,406	38,449
Increase in due to related parties	-	594,905	-	(594,905)	-	-
Net cash provided by operating activities	4,718,313	515,649	97,354	-	5,331,316	9,034,527
CASH FLOWS FROM INVESTING ACTIVITIES						
Loans made to borrower	-	-	-	-	-	(23,081,500)
Purchases of fixed assets	(450,508)	(10,525,303)	-	-	(10,975,811)	(7,984,074)
Proceeds from sale of investments	(350,205)	-	-	-	(350,205)	3,786,524
Contributions to endowment fund	(78,550)	-	-	-	(78,550)	(71,937)
Net cash used in investing activities	(879,263)	(10,525,303)	-	-	(11,404,566)	(27,350,987)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from notes payable	-	-	-	-	-	41,831,604
Payments on notes payable	(2,201,011)	-	-	-	(2,201,011)	(7,780,593)
Payment of debt issuance costs	-	-	-	-	-	(1,276,689)
Net cash (used in) provided by financing activities	(2,201,011)	-	-	-	(2,201,011)	32,774,322
Net change in cash, cash equivalents and restricted cash	1,638,039	(10,009,654)	97,354	-	(8,274,261)	14,457,862
Cash, cash equivalents and restricted cash at beginning of year	3,404,170	13,266,864	79,506	-	16,750,540	2,292,678
Cash, cash equivalents and restricted cash at end of year	\$ 5,042,209	\$ 3,257,210	\$ 176,860	\$ -	\$ 8,476,279	\$ 16,750,540
Cash and cash equivalents	\$ 4,548,266	\$ 10	\$ 176,860	\$ -	\$ 4,725,136	\$ 1,738,171
Restricted cash	493,943	3,257,200	-	-	3,751,143	15,012,369
Total cash, cash equivalents and restricted cash	\$ 5,042,209	\$ 3,257,210	\$ 176,860	\$ -	\$ 8,476,279	\$ 16,750,540
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION						
Cash paid for interest	\$ 144,537	\$ 55,125	\$ -	\$ -	\$ 199,662	\$ 454,266
Cash paid for interest capitalized into fixed assets	\$ -	\$ 252,769	\$ -	\$ -	\$ 252,769	\$ 177,012
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES						
Increase in fixed assets due to construction payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,317,848
Debt issuance cost amortization capitalized into fixed assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,051

see accompanying notes

KIDS' MEALS, INC. AND SUBSIDIARIES
STATEMENT OF FINANCIAL POSITION (SELECT ACTIVITIES)
December 31, 2025

	Consolidated	Adjustments			Consolidated
	Total	Kids' Meals	KMSC	Foundation	Total, Net of Adjustments
ASSETS					
Current assets					
Cash and cash equivalents	\$ 4,725,136	\$ -	\$ (10)	\$ (176,860)	\$ 4,548,266
Restricted cash - current	3,016,719	(239,656)	(2,777,063)	-	-
Interest receivable	69,534	-	-	-	69,534
Prepaid expenses	462,650	-	-	-	462,650
Accounts receivable	25,954	-	-	-	25,954
Grants and pledges receivable - current	4,189,996	-	-	-	4,189,996
Investments - current	2,593,162	-	-	-	2,593,162
Endowments - current	396,391	-	-	-	396,391
Total current assets	15,479,542	(239,656)	(2,777,073)	(176,860)	12,285,953
Noncurrent assets					
Restricted cash - noncurrent	734,424	(254,287)	(480,137)	-	-
Grants and pledges receivable - noncurrent	1,145,664	-	-	-	1,145,664
Notes receivable, net	23,081,500	(15,979,500)	-	(7,102,000)	-
Investments - noncurrent	4,061,512	-	-	-	4,061,512
Endowments - noncurrent	50,000	-	-	-	50,000
Fixed assets, net	30,359,187	-	(21,064,239)	-	9,294,948
Right-of-use lease asset	164,648	13,833,134	-	-	13,997,782
Total noncurrent assets	59,596,935	(2,400,653)	(21,544,376)	(7,102,000)	28,549,906
Total assets	\$ 75,076,477	\$ (2,640,309)	\$ (24,321,449)	\$ (7,278,860)	\$ 40,835,859
LIABILITIES AND NET ASSETS					
Current liabilities					
Accounts payable	\$ 284,553	\$ -	\$ -	\$ -	\$ 284,553
Construction payable	2,277,947	-	-	-	2,277,947
Payroll liabilities payable	87,887	-	-	-	87,887
Short-term lease liability	78,121	-	-	-	78,121
Total current liabilities	2,728,508	-	-	-	2,728,508
Noncurrent liabilities					
Notes payable, net	30,694,933	(9,412,463)	(21,282,470)	-	-
Long-term lease liability	89,723	14,237,899	-	-	14,327,622
Total noncurrent liabilities	30,784,656	4,825,436	(21,282,470)	-	14,327,622
Total liabilities	33,513,164	4,825,436	(21,282,470)	-	17,056,130
Net assets					
Without donor restrictions	34,819,727	(7,465,745)	(3,038,979)	(7,278,860)	17,036,143
With donor restrictions	6,743,586	-	-	-	6,743,586
Total net assets	41,563,313	(7,465,745)	(3,038,979)	(7,278,860)	23,779,729
Total liabilities and net assets	\$ 75,076,477	\$ (2,640,309)	\$ (24,321,449)	\$ (7,278,860)	\$ 40,835,859

* This schedule presents the activity of Kids' Meals, Inc. with adjustments to: (1) exclude the New Markets Tax Credit ("NMTC") loans receivable and payable, (2) exclude restricted cash reserves related to the NMTC transactions, and (3) deconsolidate and exclude the activities of Kids' Meals Support Corp. and The KMI Foundation.

KIDS' MEALS, INC. AND SUBSIDIARIES
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (SELECT ACTIVITIES)
For the year ended December 31, 2025

	Consolidated	Adjustments			Consolidated
	Total	Kids' Meals	KMSC	Foundation	Total, Net of Adjustments
PUBLIC SUPPORT AND OTHER REVENUES					
Contributions of cash and other financial assets					
Public support:					
Contributions	\$ 13,306,245	\$ -	\$ -	\$ -	\$ 13,306,245
Donated food	2,050,330	-	-	-	2,050,330
Special events (net of \$457,314 and \$384,930 expenses, respectively)	791,590	-	-	-	791,590
Total public support	16,148,165	-	-	-	16,148,165
Other revenues:					
Interest income	359,942	(219,766)	-	(97,354)	42,822
Investment income, net	420,734	-	-	-	420,734
Other income	6,024	-	-	-	6,024
Total other revenues	786,700	(219,766)	-	(97,354)	469,580
Total revenue and other support	16,934,865	(219,766)	-	(97,354)	16,617,745
EXPENDITURES					
Program services	8,858,268	99,034	(504,464)	-	8,452,838
Administrative and support	1,399,497	40,477	-	-	1,439,974
Fundraising	683,796	40,477	-	-	724,273
Total expenditures	10,941,561	179,988	(504,464)	-	10,617,085
CHANGE IN NET ASSETS	5,993,304	(399,754)	504,464	(97,354)	6,000,660

* This schedule presents the activity of Kids' Meals, Inc. with adjustments to: (1) exclude interest from the New Markets Tax Credit ("NMTC") loans receivable and payable, (2) exclude reimbursement expense for fees paid to the NMTC lenders, and (3) deconsolidate and exclude the activities of Kids' Meals Support Corp. and The KMI Foundation.

see accompanying notes